BSE Ltd

Issue no: 105

Returns	3 Months: -5.9%	6 Months: 34.3%	12 Months: 37.9%	Sector: Finance	Sensex :- 82814 Nifty:- 25454

BSE Limited, celebrating 150 years of service, stands as a cornerstone of the Indian capital market. As the first listed exchange in India, BSE has transitioned from a traditional stockbroker association to a technology-driven powerhouse with a speed of 6 microseconds, making it one of the fastest exchanges globally. The company operates a diversified business model spanning equity, debt, derivatives, and mutual fund distribution, supported by an integrated ecosystem of clearing, settlement, and index services. With over 238 million registered investors, BSE continues to play a pivotal role in the "Power of Vibrance" that characterizes the modern Indian economy.

Investment Rationale

Financial Snapshot

In the third quarter of fiscal year 2026 (Q3 FY26), BSE Ltd reported a robust operational performance with consolidated revenue from operations reaching ₹1,244.1 crore, a significant increase from ₹768.1 crore in the same period last year. This growth was primarily fuelled by transaction charges, which surged to ₹952.6 crore. The company's Operating EBITDA (excluding Core Settlement Guarantee Fund) for the quarter stood at ₹777.8 crore, compared to ₹434.8 crore in Q3 FY25, reflecting a strong operational scale-up.

Explosive Growth in Margins and Bottom-line

The exchange maintained high efficiency during the quarter, posting an Operating EBITDA margin (excluding Core SGF) of 63%. Consolidated net profit from total operations for Q3 FY26 rose to ₹596.6 crore, nearly tripling the ₹218.6 crore reported in the corresponding quarter of the previous year. Consequently, the net profit margin for continuing operations was recorded at 45%, underscoring the exchange's ability to translate increased market activity into substantial bottom-line gains.

Outlook and Valuation:

The outlook for BSE remains highly positive, driven by the increasing financialization of household savings and favorable demographic shifts in India. Management remains focused on increasing market share across all segments through innovation and the launch of unique products. Key growth drivers include the expansion of the StAR MF platform, the continued scaling of the derivatives segment, and the development of new markets like the Social Stock Exchange and international trading at India INX.

With a robust net worth of ₹58,631 million and a consistent dividend payout history, BSE is well-positioned to deliver long-term value to its shareholders. We value BSE Ltd at 19x FY28EPS, with a target price of Rs 3519 representing a potential upside of 28% from CMP.

Stock Data

Rating	BUY
CMP (Rs.)	2739
Target (Rs.)	3519
Potential Upside	28%
Duration	Long Term
Face Value (Rs.)	2.0
52 Week High (Rs.)	3227
52 Week Low (Rs.)	1227
Rise from 52W Low (%)	123%
Beta	1.85
Mar Cap (Rs. Cr)	111259

Fiscal Year Ended

Y/E	FY25	FY26E	FY27E	FY28E
Revenue (Cr.)	3212.0	4111.4	4933.7	5821.8
PAT (Cr.)	1239.7	1687.0	2033.5	2407.0
EPS	98.0	131.3	157.3	185.2
P/E	28.0	20.9	17.4	14.8
P/BV	8.4	5.0	3.9	3.1

Year High / low

Year	High	Low	Close
2026	3227	2377	2739
2025	3030	1226	2632
2024	1944	646	1773

	Dec 25	Sept 25	Diff
Promoters	0.0	0.0	0.0
FII/DII/Public	100.0	100.0	0.0
Others	0.0	0.0	0.0

One Year Relative Price Performance

	Record date	Offered	Existing
Bonus	-	-	-
Rights	-	-	-

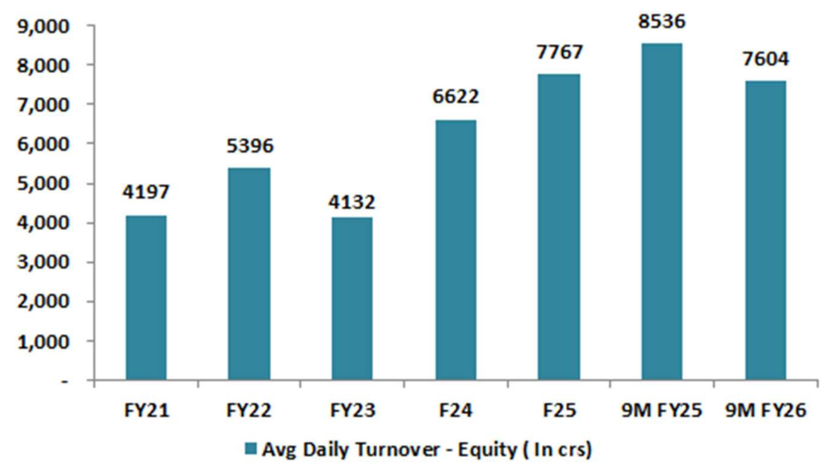
Dividend (Rs)

Year	Interim	Final
2020	0.0	17.0
2021	0.0	21.0
2022	0.0	13.5
2023	0.0	12.3
2024	0.0	15.0
2025	0.0	23.0

BSE Ltd: overview

BSE Limited is not just a financial institution but a critical pillar of India's economic infrastructure, embodying a legacy of "Roots to Relevance" as it celebrates 150 years of service to the nation. The exchange is committed to maintaining the highest standards of corporate governance, focusing on transparency, accountability, and the enhancement of stakeholder value beyond mere legal compliance. With a massive reach serving over 238 million registered investors across more than 7,200 cities, BSE continues to spearhead financial inclusion through diverse platforms like BSE StAR MF and specialized segments for SMEs and Social Stock Exchanges.

Snapshot –Avg Daily Turnover - Equity



Source: Company

Quarterly Financials

Particulars	Q3FY26	Q3FY25	YoY Growth%	Q2FY26	QoQ Growth%
Sales	1,244	768	62.0	1,068	16.5
EBITDA	732	236	210.2	680	7.6
EBITDA Margins	59.0	56.0	300 bps	64.0	-500Bps
Depreciation	45	30	50.0	32	40.6
EBIT	687	206	233.5	648	6.0
Interest	-	-	-	-	-
Other Income	108	82	31.7	91	18.7
Exceptional Items	-	-	N.A	-	N.A
PBT	**795**	**288**	**176.0**	**739**	**7.6**
Tax	198	69	187.0	182	8.8
Sh of Profit from Associate	-	-	N.A	-	N.A
Minority Interest	-	-	N.A	-	N.A
Reported Profit	597	219	172.6	557	7.2
Extraordinary Items	-	-	N.A	-	N.A
Adj. PAT	**597**	**219**	**172.6**	**557**	**7.2**
No of Shares	13.5	13.5		13.5	
EPS	**44.1**	**16.2**	**172.6**	**41.2**	**7.2**

Source: Company

Equity Derivatives: A Key Growth Engine

The relaunch of the equity derivatives segment in May 2023 has emerged as a major catalyst for BSE's market share expansion. For 9M FY26, the Average Daily Turnover (ADTV) in the equity derivatives segment reached ₹169 trillion, with the highest single-day turnover peaking at ₹821 trillion. Revenue from this segment has seen a exponential rise, with total revenue for Q3 FY26 alone reaching ₹7,842 million, up from ₹2,422 million in Q1 FY25. The strategic move to shift the Sensex weekly expiry to Thursday and the Bankex monthly expiry to Thursday starting September 2025 has further optimized trading cycles and deepened market participation.

Dominance in Mutual Fund Distribution via BSE StAR MF

BSE StAR MF remains India's largest mutual fund distribution platform, significantly contributing to the exchange's non-transactional revenue. In 9M FY26, the platform mobilized a staggering ₹21.36 trillion and processed 600.9 million orders. The platform's reach is unparalleled, covering 7,218 cities and towns through a network of over 82,969 distributors. Revenue from the mutual fund segment grew to ₹2,036 million in 9M FY26, highlighting the increasing preference for financial savings among Indian households and BSE's successful capture of this trend.

Stable Recurring Revenue from Services to Corporates

The "Services to Corporates" segment provides BSE with a stable and recurring revenue stream that is largely insulated from market volatility. Listing-related income, which includes annual listing fees and processing fees, totaled ₹2,905 million in 9M FY26. BSE continues to hold a leadership position in fund-raising for corporate India across equity, bonds, and commercial papers. The book-building and other services fees contributed an additional ₹1,097 million, supported by the exchange's role in facilitating IPOs, offers for sale (OFS), and new bond platforms

Strategic Value of Subsidiaries and Index Services

BSE's subsidiaries, particularly the Indian Clearing Corporation Limited (ICCL) and BSE Index Services Private Limited (BISPL), add significant strategic value. ICCL has upgraded its real-time risk management systems, improving trade processing capacity by nine times to handle 27,000 trades per second. Meanwhile, BISPL, which became a 100% subsidiary in June 2024, manages the iconic SENSEX and over 200 other indices. Following its transition to a wholly-owned subsidiary, BISPL reported a 100% increase in revenue from core index operations and added over 150 new clients, underscoring the growing demand for passive investment products in India.

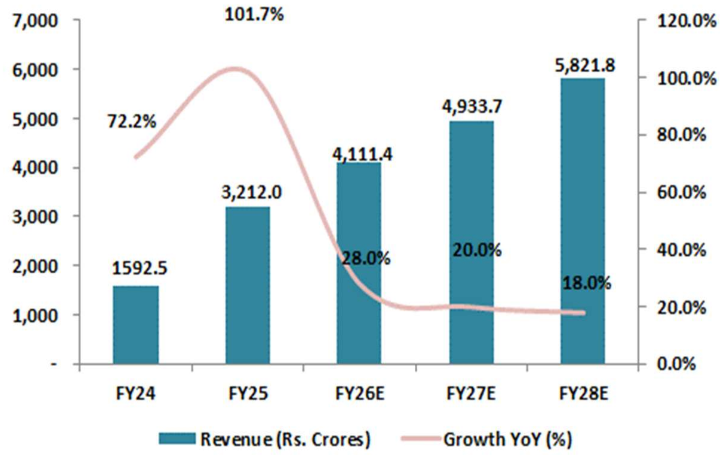
Technological Scalability and Operational Efficiency

Operational efficiency is a core strength of BSE, evidenced by its high EBITDA margins and scalable technology infrastructure. The consolidated Operating EBITDA (excluding Core SGF) for 9M FY26 stood at ₹20,941 million, representing a margin of 64%. The exchange has focused on optimizing technology expenses, which were ₹1,515 million for the 9M period, while simultaneously increasing trade capacity for equity and derivatives. This ability to handle massive surges in volume without a proportionate increase in costs positions BSE as a highly efficient and scalable marketplace.

Strategic Expansion and Product Innovation

BSE's growth strategy is anchored in its ability to diversify revenue streams through product innovation and market expansion. The exchange has successfully regained traction in the derivatives segment by leveraging differentiated expiry cycles for its flagship SENSEX and BANKEX contracts, effectively positioning itself as a formidable competitor in the Indian F&O landscape. Beyond traditional equity, BSE is proactively exploring niche segments, including the development of the Social Stock Exchange to support impact-driven organizations and the expansion of its SME platform, which continues to be a leader in fostering capital for small and medium enterprises. Furthermore, through its subsidiary India INX at GIFT IFSC, BSE is establishing a global footprint, offering an international gateway for outbound and inbound investments with a focus on ESG-themed financial products and cross-border trading opportunities.

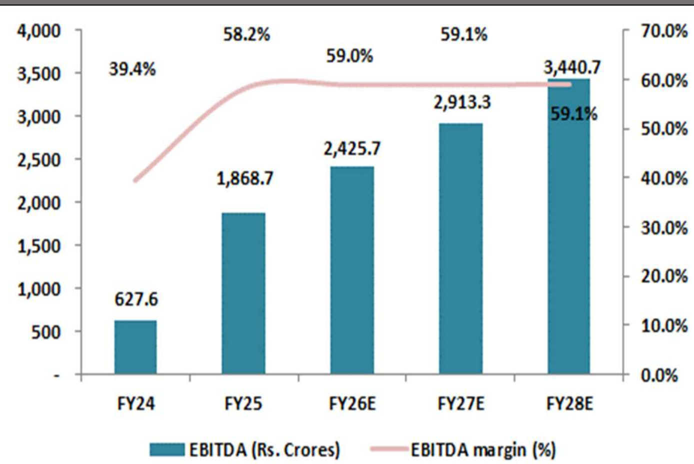
Revenue Projections



Source: Company

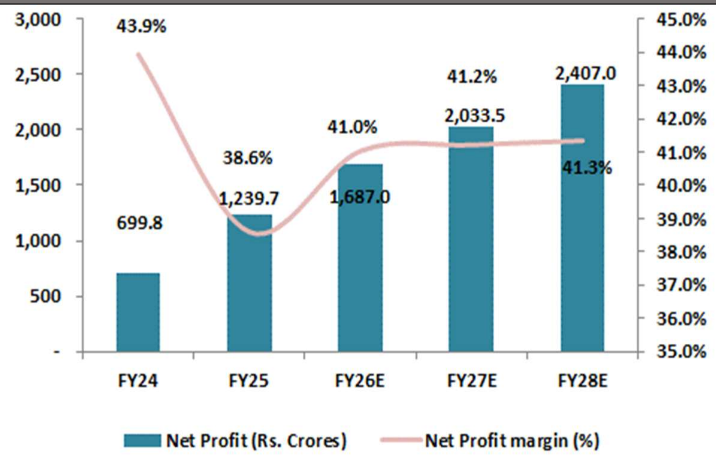
BSE achieved a record high single-day turnover of ₹821 trillion in equity derivatives during Q3 FY26, showcasing the platform's massive scalability and the successful adoption of its revamped derivative product suite. BSE's 9M FY26 average daily turnover in equity derivatives reached ₹169 trillion, driven by successful SENSEX and BANKEX contract relaunches.

EBITDA and Margins



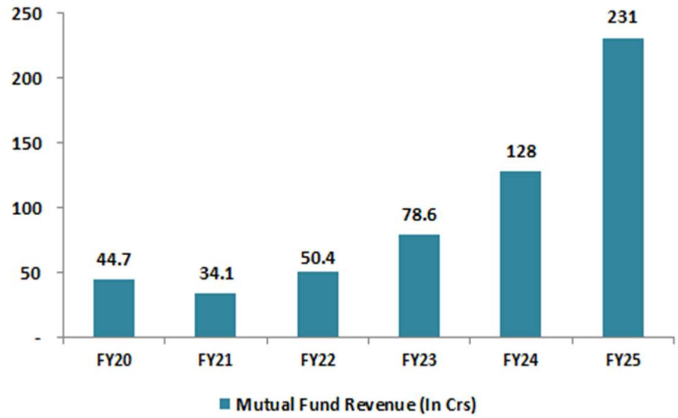
Source: Company

PAT and Margins



Source: Company,

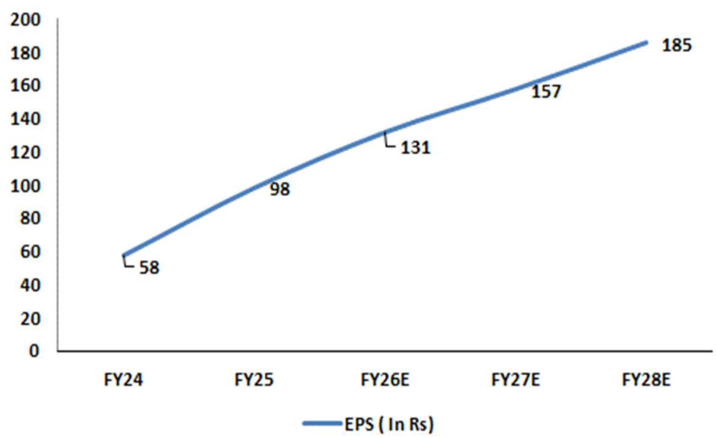
Mutual Fund Revenue



BSE's mutual fund revenue grew to ₹203.6 crore in 9M FY26, driven by the StAR MF platform processing over 600 million orders and mobilizing ₹21.36 trillion in capital.

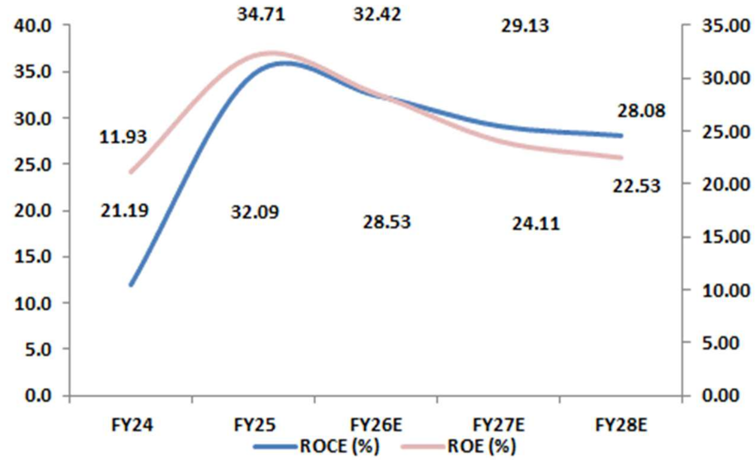
Source: Company,

EPS trendline



Source: Company,

Return Ratios



Source: Company,

Outlook and Valuation

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FINANCIALS

Profit & Loss (Consolidated)

Y/E (Rs. Cr)	FY25	FY26E	FY27E	FY28E
Total op income	3,212.0	4,111.4	4,933.7	5,821.8
Raw Material cost	-	-	-	-
Employee cost	236.6	287.8	342.9	401.7
Other operating expenses	1,131.0	1,439.0	1,726.8	2,037.6
EBITDA	1,844.4	2,384.6	2,864.0	3,382.4
Depreciation	113.0	128.1	147.4	169.5
EBIT	1,731.4	2,256.5	2,716.7	3,213.0
Interest cost	0.0	11.7	10.6	9.6
Other Income	24.3	41.1	49.3	58.2
Profit Before Tax	1,755.7	2,285.9	2,755.4	3,261.6
Tax	431.2	598.9	721.9	854.5
Profit After Tax	1,324.5	1,687.0	2,033.5	2,407.0
Minority Interest	3.6	3.7	3.9	4.1
P/L from Associates	82.6	86.7	91.1	95.6
Adj PAT	1,410.6	1,777.4	2,128.5	2,506.8
E/O Inc/Exp	-84.7			
Reported PAT	**1,325.9**	**1,777.4**	**2,128.5**	**2,506.8**

Balance Sheet (Consolidated)

Y/E (Rs. Cr)	FY25	FY26E	FY27E	FY28E
Paid up Capital	27.1	27.1	27.1	27.1
Reserves and Surplus	4,396.7	7,376.6	9,437.4	11,876.5
Net worth	4,423.7	7,403.7	9,464.4	11,903.5
Minority interest	152.0	159.6	167.5	175.9
Total debt	80.7	76.7	78.2	79.8
Other Non current liab	1,151.3	1,036.2	932.6	839.3
Total liabilities	**5,807.7**	**8,676.1**	**10,642.8**	**12,998.5**
Total Fixed assets	222.8	256.3	294.7	338.9
Capital WIP	40.7	49.7	39.8	37.8
Goodwill	-	-	-	-
Investments	1,520.8	1,520.8	1,216.7	1,277.5
Net current assets	1,287.9	2,767.6	4,000.6	4,991.1
Deferred tax assets (net)	-	-	-	-
Other Non current assets	2,735.4	4,081.7	5,091.1	6,353.3
Total assets	**5,807.7**	**8,676.1**	**10,642.8**	**12,998.5**

CFS (Consolidated)	FY25	FY26E	FY27E	FY28E
Pre tax profit	1,670.9	2,285.9	2,755.4	3,261.6
Depreciation	113.0	128.1	147.4	169.5
Chg in working capital	747.5	-1,117.1	-1,013.8	-839.1
Others	-1,345.3	1,103.0	-175.2	-204.0
Tax paid	-431.2	-598.9	-721.9	-854.5
Cash flow from Operating activit	754.9	1,801.1	991.8	1,533.3
Capital expenditure	-29.6	-9.0	9.9	2.0
Chg in investments	251.5	-1,346.3	-705.2	-1,323.1
Other Investing cashflows	-	-	-	-
Cash flow from Investing activiti	221.9	-1,355.3	-695.2	-1,321.1
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	-108.0	-4.0	1.5	1.6
Dividend paid	-44.6	-67.7	-67.7	-67.7
Other Financing activites	-85.8	86.3	92.4	98.5
Cash flow from Financing activiti	-238.4	14.6	26.2	32.4
Net chg in cash	738.3	460.4	322.8	244.6

Key ratios (Consolidated)	FY25	FY26E	FY27E	FY28E
Growth (%)				
Net sales	101.7	28.0	20.0	18.0
EBITDA	206.3	29.3	20.1	18.1
Net profit	77.1	36.1	20.5	18.4
Margin (%)				
EBITDA	58.2	59.0	59.1	59.1
NPM	38.6	41.0	41.2	41.3
Return ratios (%)				
ROE	21.2	32.1	28.5	24.1
ROCE	11.9	34.7	32.4	29.1
Per share data (Rs)				
EPS	98.0	131.3	157.3	185.2
DPS	1.7	5.0	5.0	5.0
Valuation (X)				
P/E	28.0	20.9	17.4	14.8
EV/EBITDA	53.8	17.7	13.4	11.0
EV/Net sales	21.2	10.3	7.9	6.5
P/B	8.4	5.0	3.9	3.1
Turnover ratio (X)				
Net sales/GFA	14.4	16.0	16.7	17.2
Sales/Total assets	0.4	0.5	0.6	0.6

Disclosures:-

I, Mr. Malay Joshi (B.Sc., LL.B.,MBA.,DHRD) name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Rating Criteria

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	**Buy**	More than equal to 15%
Hold	Upside or downside is less than 10%	**Accumulate***	Upside between 10% & 15%
Reduce	Less than equal to -10%	**Hold**	Between 0% & 10%
		Reduce/sell	Less than 0%.

** To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.*

Suresh Rathi
Wealth Creator thru Systematic Investment
EQUITIES • CURRENCY • DP • NBFC • MUTUAL FUND

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